

How Important is Tourism to Delaware?



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Table of Contents

<u>Slides</u>	<u>Topic</u>
3-5	About Global Insight
6-12	Tourism Satellite Accounting
13-18	Summary of Major Study Findings
19-21	Breaking Down Tourism Expenditures
22-25	Core Tourism Impact
26-27	Employment Impacts
28	Indirect Benefits of Tourism
29	Construction Impacts
30-31	Government Revenue Impacts
32	Seasonal Second Homes
33-34	Summary



Global Insight

- **Premier** country intelligence, economic analysis & forecasting, and consulting organization globally
- Most **comprehensive** coverage of countries, regions, and industries available from any single source
- Common **analytical framework** and a consistent set of assumptions
- Broad range of **capabilities** include:
 - Strategic and Tactical Planning Tools
 - Market Risk Assessment
 - Tourism Forecasts
 - Tourism Economic Impact
 - Project Feasibility Studies
 - Performance Benchmarking
- Global Insight consistently has the **best track record** among commercial forecasters. See www.globalinsight.com/accolades



Global Insight by the numbers...

➤ Over **4,000** clients worldwide...

- **2,800+** -Corporate, Financial, and Commercial
- **37** -US States, **118** -Cities/Local Govt, **70** Federal Government agencies
- **35** Foreign Central Banks, **23** International Statistical agencies, plus IMF, World Bank, IADB, EC, OECD, UN, SABIC, CEIC...
- **100+** Trade, Professional, Non-profit Organizations

➤ Global Insight's 2006 Turnover was **\$97million** (65% N.A., 35% Intl) with an operating margin of just over **9%**

➤ We have **640** employees housed in **25** offices in **14** countries

➤ Global Insight is over **40** years young



Travel and Tourism Practice

- ***Visitation & Spending Forecasts*** –by category and by country, region, state, or U.S. city. Market size, growth, and share.
- ***Market Feasibility & Investment Facilitation*** market analysis & research, demand/supply review, policy evaluation, development cost analysis.
- ***Destination Impact & Concession Support*** economic impact of the construction and operations of individual facilities –resort, convention center, entertainment venue, event...
- ***Tourism Economic Impact & Tourism Satellite Accounting*** conforming to the UN/WTO standards. What does travel & tourism contribute in jobs, wages, spending, and taxes to a national or local economy?
- ***Tourism Policy Analysis*** travel & tourism policy evaluation and rationalization.



Tourism Satellite Accounting

- The **Tourism Satellite Account** is the international (UN/WTO, OECD) standard for measuring the contribution of tourism to an economy
- **Measuring the industry “tourism” is difficult:**
 - tourism industry is not measured in standard economic accounting systems.
 - Most industries are accounted via the *supply-side*: firms are categorized into NAICS codes and asked about jobs, revenues, costs.
 - **But tourism is a *demand-side* activity:** the focus is on what the traveler buys before and during a trip. As a result, tourism touches many industries
- **4Cs: Credibility, Comprehensiveness, Comparability, Consistency**



The Distinct Value of the TSA

✓ **Credibility**

- The TSA is the product of countless committees, conferences, papers and expert opinions.
- It defines tourism in measurements consistent with System of National Accounts (SNA) economic accounts.
- It has been ratified by the UN, OECD and Eurostat.

✓ **Comprehensiveness**

- TSA includes a wider view of tourism demand to include second home activity, capital investment, outbound resident purchases, and government spending *-not just visitor spending*.
- TSA explicitly counts employment, sales, and GDP and allows (implicitly) for measurement of wages and taxes.
- System also provides a framework for indirect impact analysis.



The Distinct Value of the TSA

✓ *Comparability*

- Only the TSA provides measurements of tourism that are designed to be consistent with SNA.
- This facilitates inter-industry comparisons
- Facilitates inter-country/sub-national comparisons
- Enables share analysis (tourism is x% of GSP, wages, jobs)

✓ *Consistency*

- Measuring tourism using the same data sources and methodology year in and year out facilitates the analysis of tourism growth, promotional and public investment ROI, and economic development comparisons
- Changing research vendors or personnel should not result in a re-start



Benefits of a TSA

- ✓ **Are we spending enough on tourism promotion and infrastructure?** *Compares government support of the tourism sector with government revenue generated by tourism.*
- ✓ **Which are our best economic development targets and are candidate-requested concessions worth it?** *Allows policy-makers to compare the size & growth of tourism to other industrial sectors.*
- ✓ **What is the ROI of public tourism investment?** *Enables analysts to assess long-term health of the tourism sector vis-a-vis capital investment and govt. support.*
- ✓ **How can we benchmark ourselves against our destination competition?** *Provides an accepted international standard for benchmarking.*
- ✓ **How can we communicate the full value of tourism to policy makers, businesses, and citizens?** *Quantifies how other industries benefit from tourism.*



TSA and Tourism Economic Impact Client Examples

Tourism Satellite Account

- **DELAWARE**
- Israel
- New Jersey
- Dubai
- Bahamas
- Abu Dhabi
- Kansas
- Rhode Island
- Guam
- North Carolina
- Alaska
- South Carolina
- North Dakota
- Virginia
- Utah

Economic Impact

- Idaho
- Pennsylvania
- Indiana
- Maryland

City Tourism Impact

- | | |
|------------------|--------------------|
| • Dallas | • Tulsa |
| • Boston | • St. Louis |
| • Arlington, TX | • Kansas City |
| • Sacramento | • Battle Creek, MI |
| • Baltimore | • Durham, NC |
| • Philadelphia | • Savannah |
| • Orlando | • Pittsburgh |
| • Washington, DC | • Austin |
| • NYC | • Indianapolis |
| • Camden & SNJ | |



TSA: Definitions

- **Visitor:** GT 50 miles, non-commuting or overnight stays
- **Resident Tourism:** Only outbound purchases made in advance of a trip are included. No resident usage of ND tourism assets.*
- **Tourism Spending:** A TSA concept, includes all spending by all constituents on travel made in the jurisdiction (ND)
- **Visitor Spending:** Spending in the jurisdiction by visitors (accommodations, food & beverage, shopping, transportation, entertainment, other)
- **Total Economic Impact:** “GDP” definition...spending less value of supply chain purchases made elsewhere. The amount truly retained in jurisdiction.
- **Import Leakages:** The value of supply chain purchases made outside of the jurisdiction.
- **Direct Spending/Jobs/Wages/Taxes:** Industries that “touch” the visitor (e.g. hotels, restaurants, museums,...)
- **Indirect Spending/Jobs/Wages/Taxes:** Industries that supply those that touch the visitor
- **Induced Spending/Jobs/Wages/Taxes:** Workers of industries that touch or supply will spend wages locally



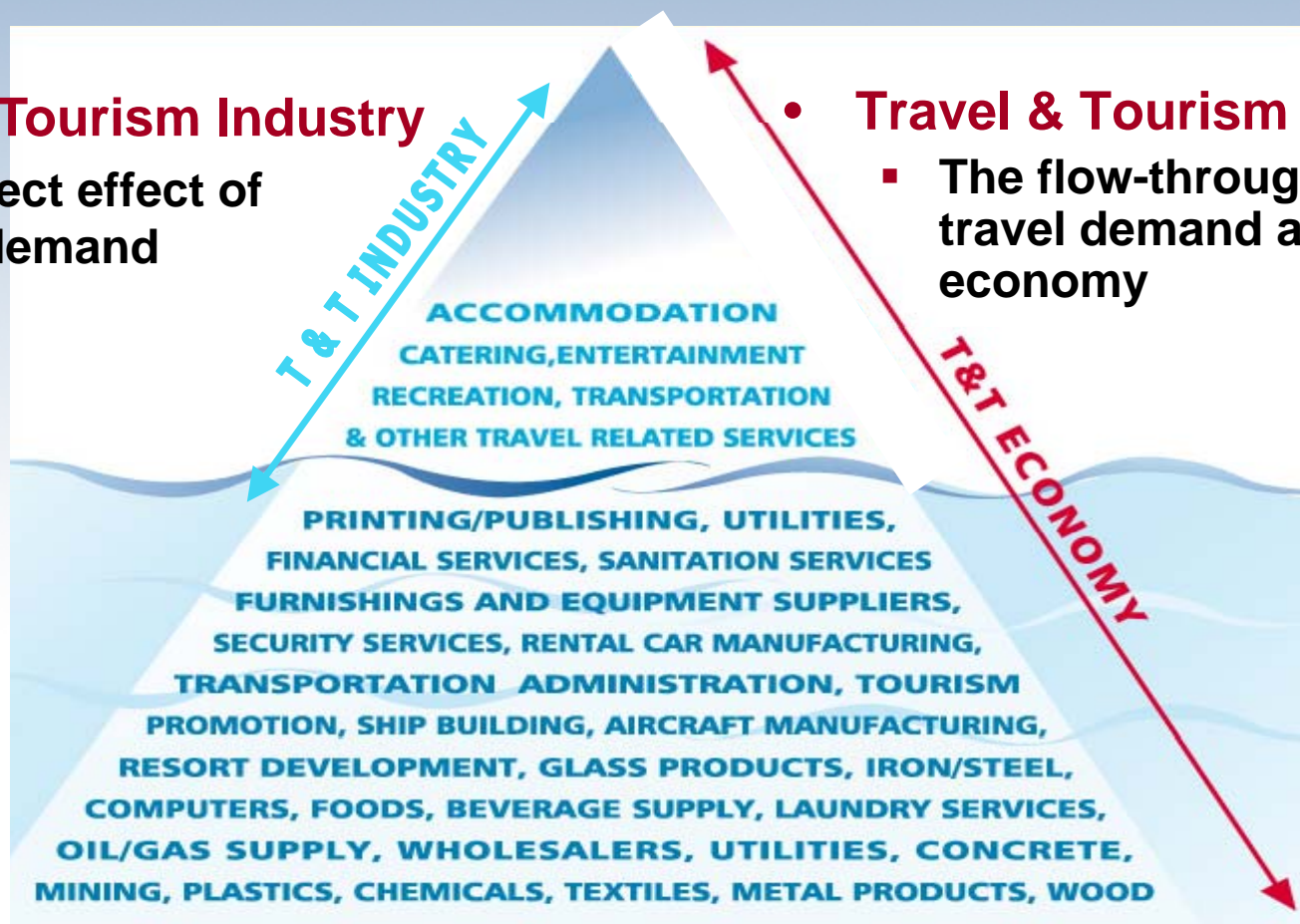
T&T Industry and Economy

- **Travel & Tourism Industry**

- The direct effect of travel demand

- **Travel & Tourism Economy**

- The flow-through effect of travel demand across the economy



The TSA provides both a narrow & a broad understanding of the *Tourism “Industry”*



2006 TSA Estimates

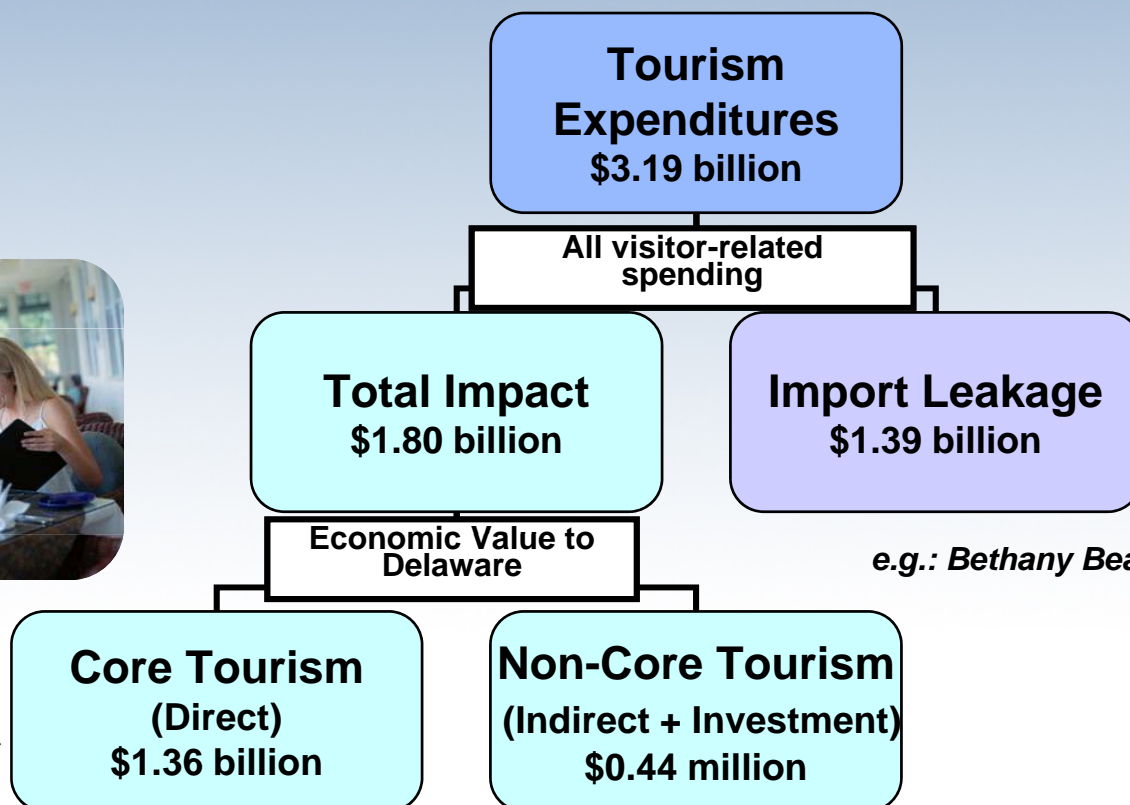


Industry Structure



Industries directly providing goods & services to the visitor.

e.g.: Restaurants.



Tourism goods & services from outside the state.

e.g.: Bethany Beach Tees made outside DE.



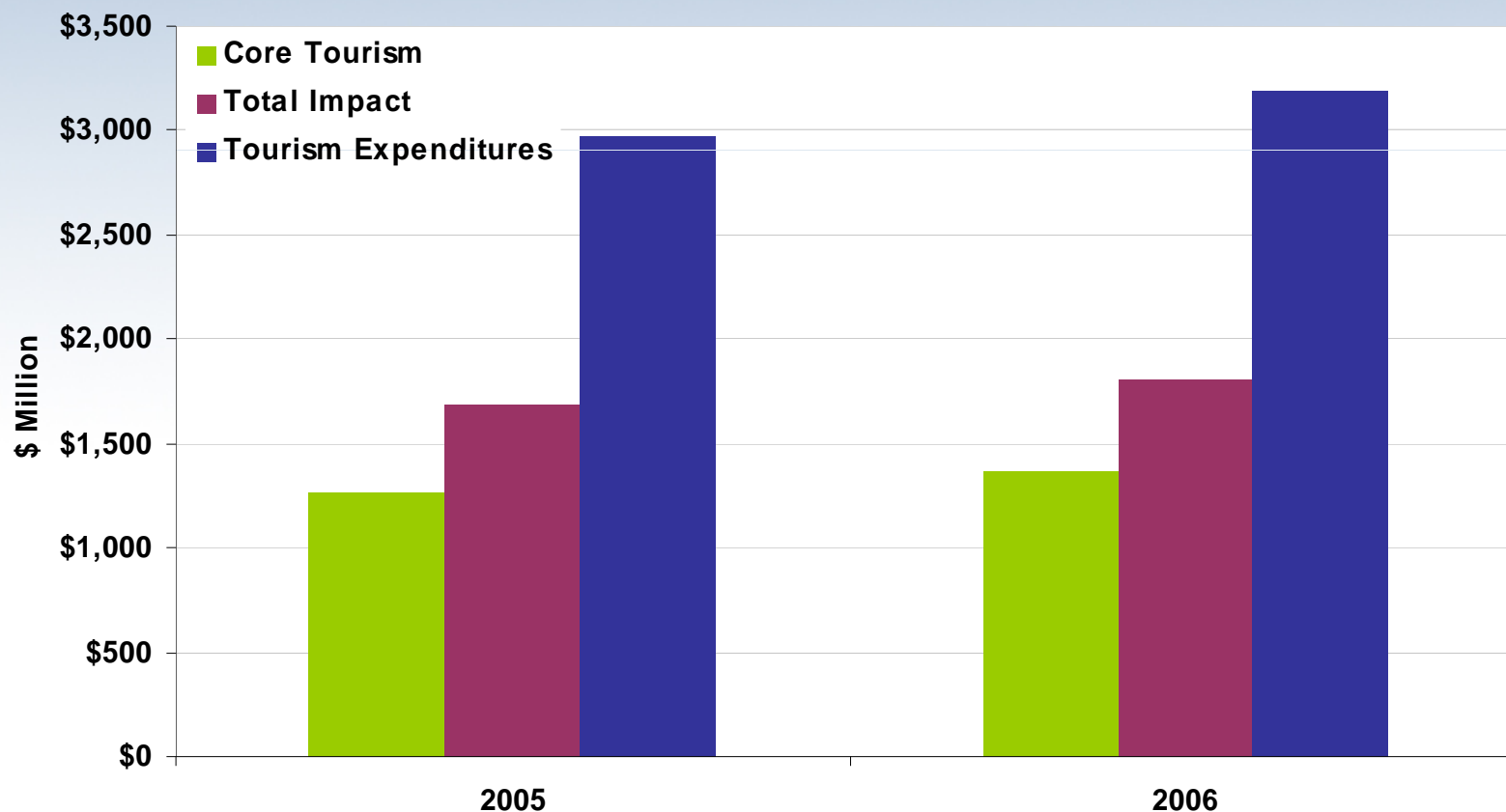
Industries directly providing goods & services to core tourism providers.

e.g.: Food Distribution



Total Tourism Expenditures

Tourism expenditures tallied
\$3.2 billion in 2006





Delaware TSA

Measurement	2005 (billions)	2006 (billions)	Growth Rate
Total Expenditures	\$2.97	\$3.19	7.6%
Total Impact	\$1.69	\$1.80	7.1%
Core Tourism (direct)	\$1.27	\$1.36	7.5%
Non-Core Tourism	\$0.40	\$0.44	9.3%
Import Leakage	\$1.28	\$1.39	8.4%
Visitor Spending	\$2.80	\$3.03	8.3%



DE Tourism...Keeps Chugging Along

2006 Bottom Line:

Measurement	2006	2005	%	Perspective
Person-Trips and Expenditures				
▪ Total Person-Trips	8.09 M	8.07 M	0.3%	• Person trips edged higher in 2006 despite a decline in the important leisure category
▪ Total Expenditures	\$3.19 B	\$2.97 B	7.6%	
Economic Value				
▪ Core Tourism (direct)	\$1.36 B	\$1.27 B	7.5%	• The direct impact of core tourism increased by 7.5% to \$1.36 billion in 2006.
▪ Total Impact (direct+indirect)	\$1.80 B	\$1.69 B	7.1%	
Wages & Salaries				
▪ Core Tourism (direct)	\$0.81 B	\$0.75 B	7.4%	• Avg. annual tourism wages are approx. \$27,000
▪ Total Impact (direct+indirect)	\$1.09 B	\$1.01 B	7.5%	
Employment ('000)				
▪ Core Tourism (direct)	30.20	28.51	5.9%	• 1 out of every 12 DE workers owes his/her job to tourism.
▪ Total Impact (direct+indirect)	37.99	36.15	5.1%	

Numbers may differ due to rounding



Total Impact of Tourism

- In 2006, the total impact of travel & tourism (direct and indirect) was **\$1.80 billion**.
- The ratio of the total impact to total expenditures reveals that **57% of each tourism dollar spent in Delaware** is retained in the state. The remainder represents import leakages.
- **31,532 direct jobs** – were created by travel & tourism economic activity. This accounts for **7.2% of total employment in the state**.
- Another **6,459 indirect jobs** were created by tourism.
- Approximately **\$878 million in wages & salaries (direct impact)** was generated by travel & tourism in 2006.
- Tourism generated **\$562 million in federal government taxes** and **\$387 million in state & and local government taxes** in 2006.



Breaking Down Tourism Expenditures

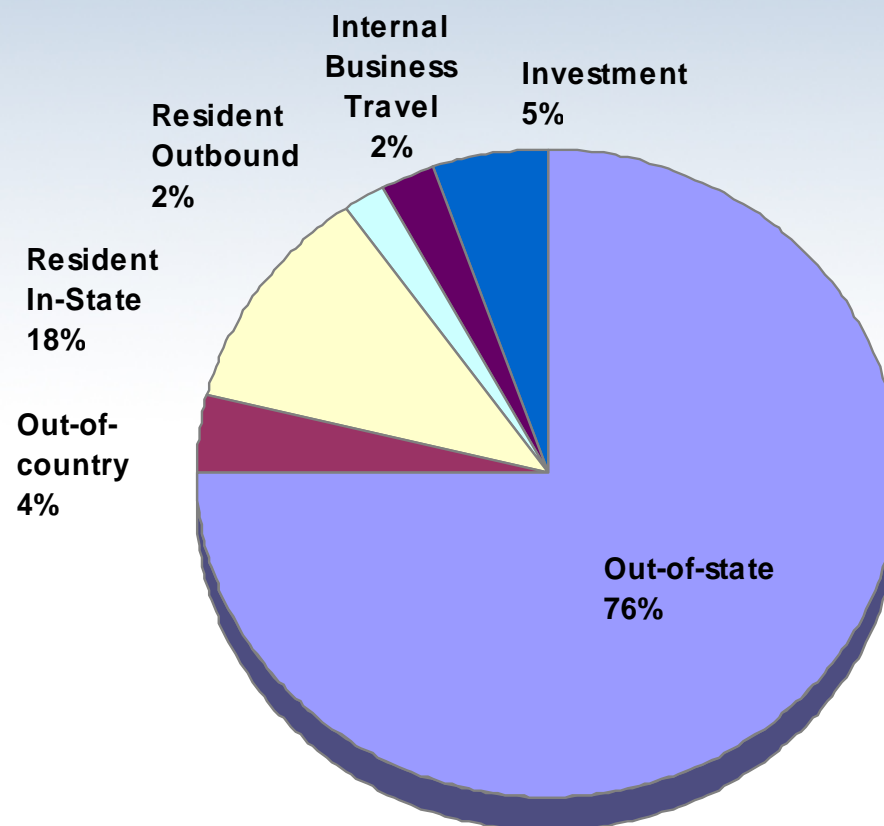
- **Resident In-State** – In-state travel expenditures of Delaware residents
- **In-state Business Travel** – Delaware businesses' spending within the state economy on travel
- **Government Spending** – Delaware Tourism Office Budget, transportation functions related to tourism, publicly funded attractions and funding for security in tourism-intensive areas
- **Investment** – Construction of hotels, attractions, tourism infrastructure, operating and transportation equipment
- **Domestic Out-of-State** – Spending of all visitors to Delaware coming from other parts of the country (Key Category)
- **International** – Spending of international visitors to Delaware
- **Resident Outbound** – Resident spending preparing for an out-of-state trip



Breaking Down Tourism Expenditures

Visitors from other states represent the largest portion of tourism expenditures in Delaware. Residents' travel in the state is also important with 18% of the total.

	Millions \$\$	Share
In State	674	21%
Other U.S.	2,399	75%
International	121	4%
Total	\$3,194	100%

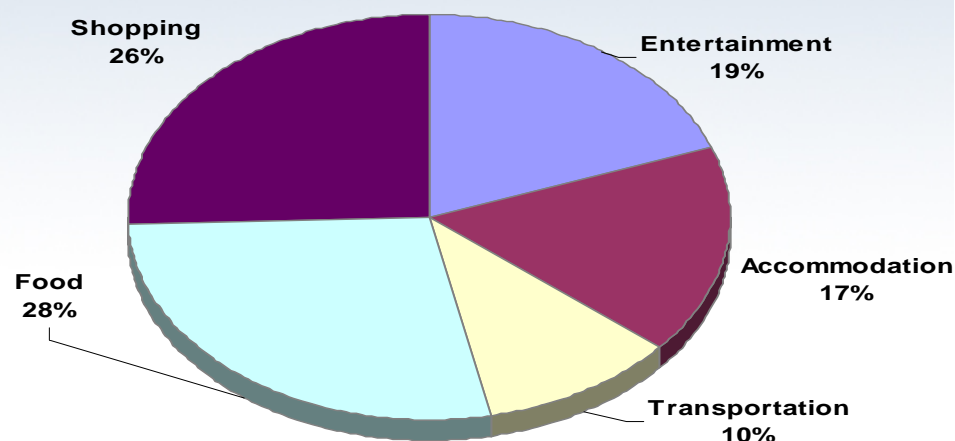




Industry Distribution of Expenditures

Food accounts for the largest share of tourism expenditure. Combined with entertainment and shopping, these components represent nearly 73% of visitor expenditures.

	Millions \$\$	2005-2006 Growth
Entertainment	586	5.4%
Accommodation	509	3.6%
Transportation	316	6.9%
Food	841	12.1%
Shopping	777	9.6%
Total *	\$3, 029	8.1%

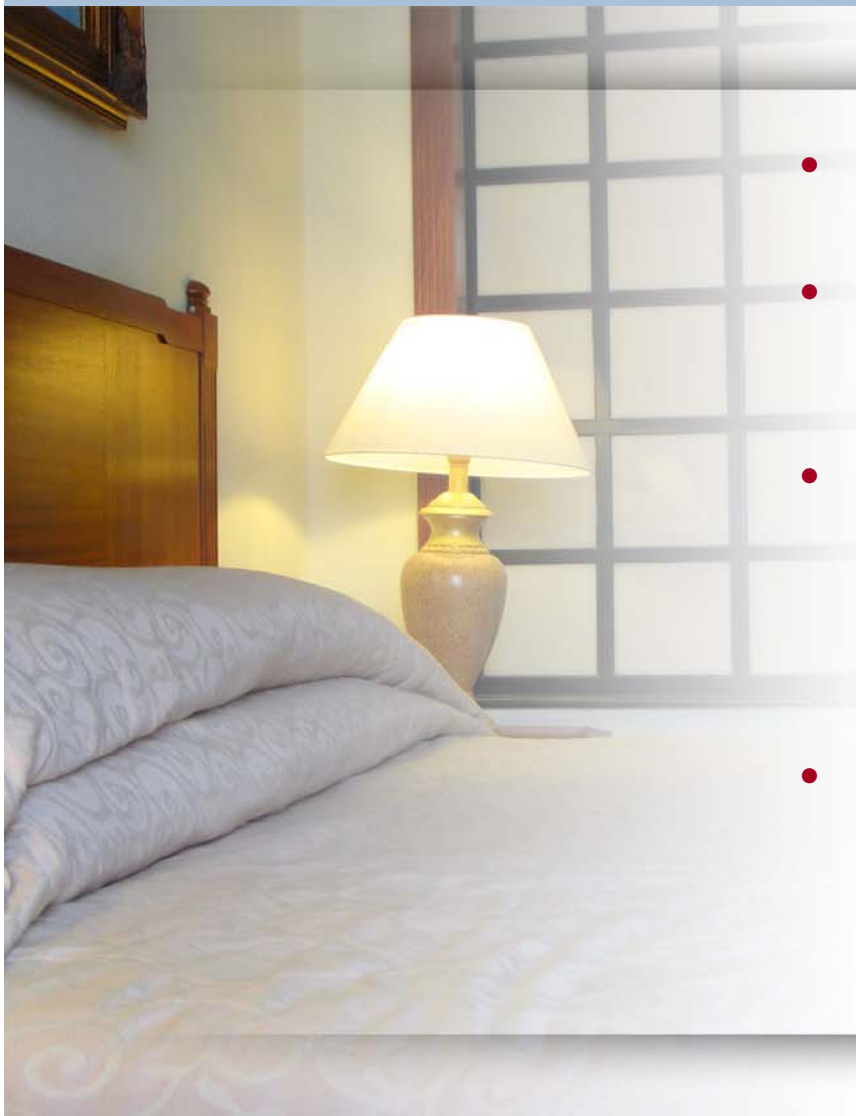


* Direct and Indirect Tourism Expenditures (w/o construction & investment)



Core Tourism

- Answers the question “How does tourism compare with other industries?”
- Core Tourism measures the size of the industry directly providing goods & services to the visitor.
- Therefore, all indirect effects are excluded – these are part of other supplier industries such as wholesalers. The impact of capital investment is also excluded.
- Core Tourism generated \$1.36 billion in economic value in 2006. This ranks core tourism as the 12th largest private industry in DE in terms of gross state product.





Core Tourism – Gross State Product

Core Tourism contributed \$1.36 billion in economic value in 2006.
Tourism ranked as the 12th largest private industry in the state.

Rank	Industry	Millions \$	% of State
1	Commercial Banking	13,921	25.9%
2	Real Estate	4,463	8.3%
3	Insurance	4,272	7.9%
4	Health care and Social Assistance	2,918	5.4%
5	Management of Companies and Enterprises	2,437	4.5%
6	Retail Trade	2,414	4.5%
7	Construction	2,241	4.2%
8	Other Professional and Technical Services	2,232	4.1%
9	Rental and Leasing Services	2,128	4.0%
10	Wholesale Trade	1,968	3.7%
11	Chemical Manufacturing	1,851	3.4%
12	Utilities	982	1.8%
13	Other Services	953	1.8%
14	Administrative and Support Services	931	1.7%
15	Legal Services	812	1.5%
	Other Industries	7,849	14.6%
Total		53,848	100.0%
	Travel & Tourism	1,363	2.5%

Travel & Tourism
has 2.5% of
Delaware's GSP



Core Tourism Impact – Composition

Composition of Core Tourism

Rank	Industry	\$ Value (Millions)	'05-'06 Growth	% of Total
1	Food services and drinking places	425.5	12.1%	31.5%
2	Other amusement- gambling- and recreation industries	233.3	4.2%	17.2%
3	Real estate	181.4	0.0%	13.4%
4	Hotels and motels- including casino hotels	159.4	7.6%	11.8%
5	Automotive equipment rental and leasing	64.5	12.2%	4.8%
6	Spectator sports	45.2	6.6%	3.3%
7	Clothing and clothing accessories stores	42.9	12.2%	3.2%
8	Food and beverage stores	36.2	7.7%	2.7%
9	Miscellaneous store retailers	32.5	9.2%	2.4%
10	Performing arts companies	30.5	9.9%	2.3%
11	Air transportation	28.4	7.7%	2.1%
12	General merchandise stores	22.1	10.3%	1.6%
13	Gasoline stations	18.9	12.1%	1.4%
14	Travel arrangement and reservation services	18.5	-10.3%	1.4%
15	Sporting goods- hobby- book and music stores	8.4	12.2%	0.6%
	Other Industries	15.4	3.8%	1.1%
Total		1,363.1	7.5%	100%



Core Tourism – Employment & Wages

- Core Tourism is the 5th largest sector employer in the state with **30,200 direct full-time equivalency jobs** in 2006.
- Core Tourism generated **6.9% of non-farm state employment** in 2006.
- Core Tourism jobs provided **\$814 million in wages & salaries** in 2006.
- Core Tourism's **average annual wage** has grown to **\$27,000/year**.



Core Tourism – Employment Ranking

Travel & tourism is DE's *5th largest private sector employer.*

Rank	Industry	Employment (Thousands)	% of State	Tourism Extracted Employment
1	Retail Trade	53.7	14.3%	49.2
2	Health Care and Social Assistance	48.7	13.0%	48.7
3	Financial Activities	43.9	11.7%	42.5
4	Leisure and Hospitality	40.9	10.9%	17.4
5	Construction	29.5	7.8%	29.5
6	Professional, Scientific, and Technical Services	26.5	7.0%	26.5
7	Administrative and Support and Waste Management	23.6	6.3%	23.6
8	Other Services	20.4	5.4%	20.4
9	Manufacturing, Non-durables	19.1	5.1%	19.1
10	Wholesale Trade	15.1	4.0%	15.1
11	Manufacturing, Durables	14.4	3.8%	14.4
12	Management of Companies and Enterprises	12.0	3.2%	12.0
13	Transportation and Warehousing	11.6	3.1%	10.8
14	Educational Services	7.4	2.0%	7.4
15	Information	6.7	1.8%	6.7
	Other Industries	2.3	0.6%	2.2
	Total Non-farm	375.7	100%	345.5

**Core Tourism
represented
30,200 jobs in
2006.**

Travel & Tourism

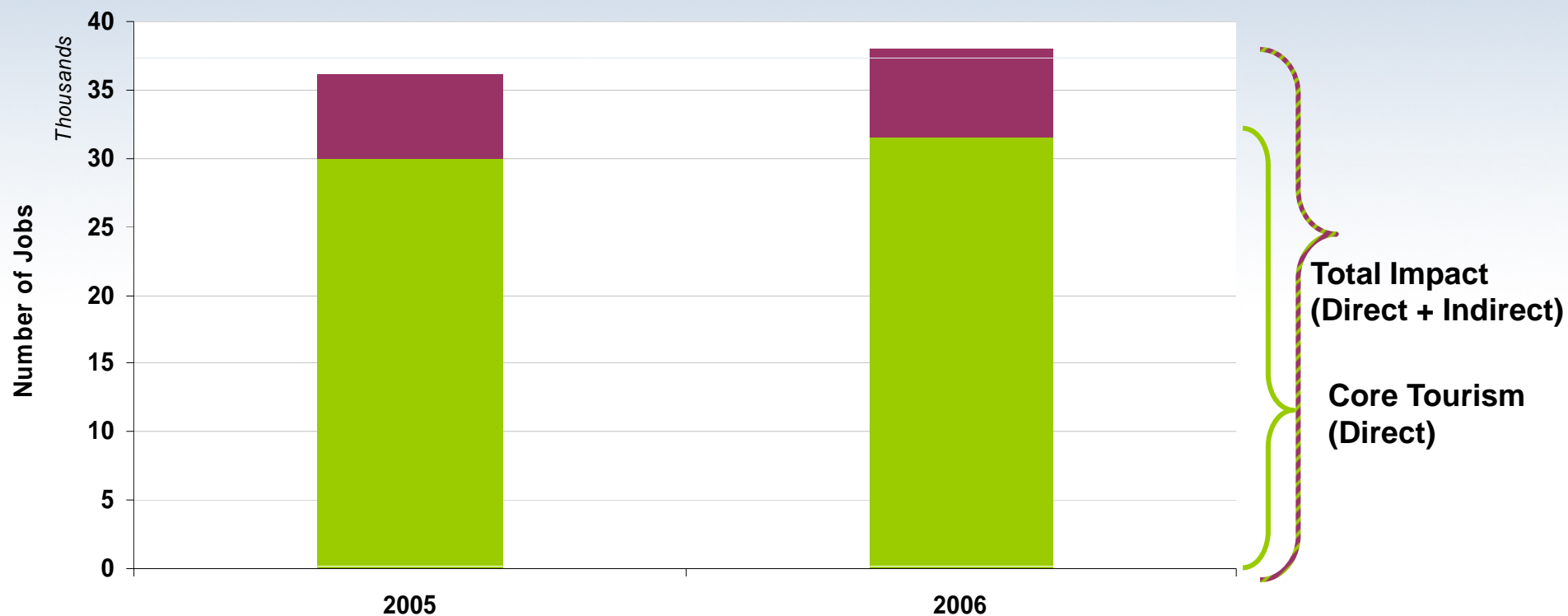
30.2

8.0%



Total Tourism Employment Grew 5.1% in 2006

Core Tourism jobs comprise 83% of total tourism-generated employment.





Indirect Benefits

Many industries not thought of as “tourism” but that supply goods and services to the tourism industry are beneficiaries of tourism.

Indirect Benefits of Tourism				
Rank	Industry	\$ Value (Millions)	'05-'06 Growth	% of Total
1	Real estate	68.1	7.1%	12.9%
2	Power generation and supply	27.9	9.9%	5.3%
3	Wholesale trade	18.8	12.6%	3.6%
4	Finance companies	14.5	8.0%	2.8%
5	Spectator sports	11.9	7.0%	2.3%
6	Management of companies and enterprises	10.8	13.0%	2.0%
7	Other State and local government enterprises	9.5	9.6%	1.8%
8	Maintenance and repair of nonresidential buildings	9.5	11.0%	1.8%
9	Travel arrangement and reservation services	9.5	9.8%	1.8%
10	Architectural and engineering services	8.2	0.2%	1.6%
11	Banking	7.3	7.7%	1.4%
12	Food services and drinking places	7.3	9.2%	1.4%
13	Legal services	7.1	6.8%	1.4%
14	Employment services	7.1	6.4%	1.3%
15	Scenic and sightseeing transportation and support	5.8	12.0%	1.1%
	Investment	164.4	-2.8%	31.2%
	Other Industries	139.3	6.9%	26.4%
Total		527.3	4.3%	100%



Construction Impacts

The Construction sector is also a significant beneficiary of tourism.

**Value put in place private tourism
construction – in excess of \$80 million**



Source: Global Insight and FW Dodge

**Investment in parks / pools and
landscape, stadiums, hotels /
motels and amusement /
recreational facilities was
significant in 2006.**



Tourism Generated Government Revenue

2006	Total (million\$)	'05 - '06 Growth
Federal Government		
Corporate Profits Tax	\$55.9	3.3%
Indirect Business Tax	\$33.6	4.3%
Personal Tax	\$115.6	4.4%
Social Insurance Tax	\$357.4	0.9%
<i>Subtotal</i>	\$562.5	2.0%
State/Local Government		
Corporate Profits Tax	\$17.8	3.3%
Dividends	\$12.2	3.3%
Public Accommodation Tax	\$10.8	9.1%
Indirect Business Tax	\$222.4	4.3%
Personal Tax	\$42.6	4.3%
Social Insurance Tax	\$1.4	4.6%
Video Lottery	\$79.8	12.5%
Tolls	\$9.7	19.9%
<i>Subtotal</i>	\$387.0	6.0%
Grand Total	\$949.5	3.6%



Tourism Generated \$950m in Total Tax Revenue in 2006

- Tourism activity generated **\$387 million in state and local government revenue** in 2006, a **6.0% increase over 2005**.
- Property Tax contributed **\$48.3 million** and S/L non-taxes contributed **\$48.8 million**.
- Tourism value added is **3.4% of GSP**, it contributed **12.8% of state government revenue in 2006**.
- If tourism didn't exist, each household would pay **\$1,200 more in taxes** to maintain the current level of state and local tax receipts.



Accommodation – Seasonal 2nd Homes

Seasonal 2nd homes are an important part of accommodation expenditure for the counties along the coastline.

County	# of Seasonal 2nd Homes
Kent	365
New Castle	709
Sussex	12,456
Total	13,530





How Important?

**Tourism related
spending of
\$3.13 billion**



TOTAL

Gross State Product: \$1.80 billion

3.4% of GSP

Total Employment: 37,991 jobs

8.7% of Employment

CORE

Core GSP: \$1.36 billion

2.5% of GSP

Core Employment: 30,201 jobs

6.9% of Employment

5th largest private sector employer



What Do Person-Trips Mean to DE?

- ✓ Each person-trip generates about \$374 in expenditures, \$75 of which goes to businesses that do not directly “touch” that visitor
- ✓ Every 213 person-trip create a new job in DE
- ✓ Each person-trip creates about \$117 in tax receipts, \$48 of which goes to state & local authorities
- ✓ Each person-trip generates \$135 in wages paid to workers employed across an array of industries
- ✓ Each person-trip adds about \$222 to Gross State Product

